



February 22, 1996

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RE: Is The Equity Building on DORAL Working?

It is my understanding that when the Regional Business Managers were in this week, part of the discussions were centered around "whether or not equity is/ or can work on DORAL". Needless to say, this has been a central question for us as well given resource allocations and reallocations towards building equity on the DORAL brand in 1995 and planned for 1996. It is our opinion that equity is working on DORAL and has played a vital role in the brands success and growth over the past 18 months. In fact, every indicator we know to look at confirms that the equity on the brand is working.

Given the increased and continued aggressiveness on Marlboro and Basic, the consumer appeal and strength of DORAL will certainly be challenged. That is why we have continued to follow the more aggressive Ceiling Strategy from 4th quarter versus moving to the more moderate "Ceiling Strategy" we had hoped to in the planning process. In addition, we continue to recognize that Marlboro is not only DORAL's biggest opportunity, but its biggest threat. Accordingly, we continue to leave the strategy of matching Marlboro when appropriate as part of the Ceiling Strategy. The fact that Basic is getting more aggressive with discounting, while continuing heavy promotions activity, does not help. Hopefully, the more aggressive discounting strategy combined with increased promotion activity and non-retail equity spending will allow the brand to meet its aggressive Share of Savings objectives.

Attached, please find two documents that support our strong feelings that equity on DORAL is working. I have chosen to remove a page that shows specific details and numbers on variable margins, MAM, etc. from this deck under the assumption that each of you may choose to forward this information to the Field. If you would like a copy of the page I have removed for your own review, please let me know.

"We work for smokers."

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After you have had a chance to read the attached, I would be interested in hearing from you as to any comments, concurrence, or concerns that you might have. It is my belief that this factual information is compelling relative to the progress that has been made on this brand. Finally, let me emphasize the fact that the two of the most important "must haves" on DORAL are *proper implementation of the Ceiling Strategy* and a *strong retail presence for the brand*. Without the initiatives and efforts in these two areas to-date, DORAL would not have shown the progress it has to-date. Hopefully, continued efforts in these areas, combined with "equity building" will enable us to meet our 1996 DORAL objectives.

I look forward to any input or comments you may have.

Sincerely,



G. C. Pennell

GCP/kw

Attachment

cc: J. V. Maguire
C. A. Coyle
C. M. Davis
O. Sorensen (cover note only)
E. S. Rhodes (cover note only)

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